

Managed Portfolio Service – Lower Risk Profile



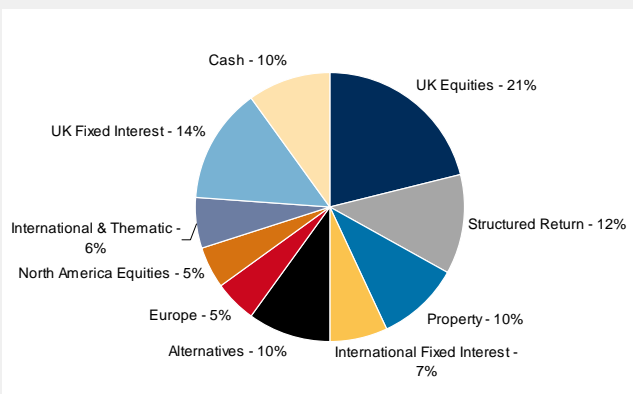
Objective

A cautious portfolio that will provide exposure to a balanced range of UK and international investments with the aim of maintaining capital in the shorter term while benefiting from the higher returns of real and market investments in the longer term. Equity exposure is likely to range between 40-60%.

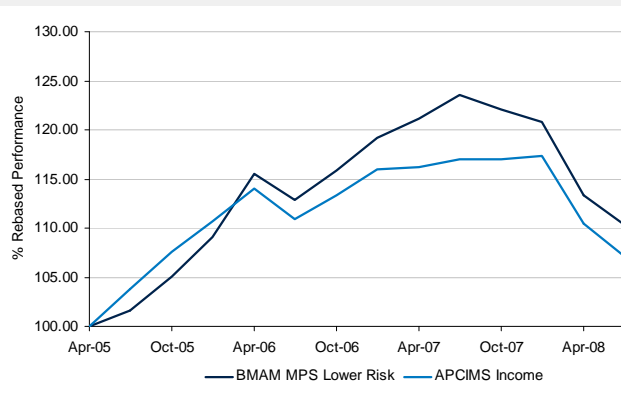
The Service

- Segregated fund of funds service managed proactively across global markets investing in asset classes via unit trusts, OEICs, structured products and investment trusts.
- Portfolio assets can be held within SIPPs and SSASs.
- Existing funds can be transferred into the service.
- No specific dealing charges applicable.
- Each portfolio is managed generically with changes affecting all clients simultaneously.

Geographical Breakdown



Performance



Source: BMAM

Managers Comment

Over the quarter the twin fears of slowing global growth coupled with rising inflationary pressures have knocked investors' confidence and resulted in further falls for both equity and bond markets. The rescue of Bear Stearns provided some temporary relief for both equity and bonds markets but this proved to be short lived, as global inflation concerns hit the headlines. Oil prices have now risen over 100% since this time last year, which has had a significant inflationary impact

Global oil prices hit an all-time high of \$143.67 a barrel driven by supply constraints, geopolitical tension in the Middle East and an increased amount of activity by investment institutions. This significant inflationary pressure has been at the top of the agenda on both sides of the Atlantic, not least due to the increase in basic food prices. At the end of the quarter, US data was released showing domestic consumption of gasoline in April was at its lowest level for six years, evidence that the higher oil price has started to have an impact on global demand. This was a view echoed throughout Europe with a significant slowdown in 2nd quarter GDP being witnessed.

The lower risk portfolio performed better than its benchmark over the quarter, with the outperformance due to the portfolio's high cash weighting, along with its non equity correlated assets. The equity like structured products are still being marked down but we have seen prices in the structured return sector holding up well.

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Current Asset Allocation

Fund	P'cent	Sector
Absolute Return Trust	10.0%	Hedge
Artemis Strategic Bond	8.0%	UK FI
Invesco Perpetual High Income (inc)	7.0%	UK
Blackrock UK Absolute Alpha	7.0%	UK
Barcap - UK Acc Growth II	7.0%	UK
Henderson Strategic Corporate Bond (I)	7.0%	Int FI
Harewood Global Enhanced	6.0%	Int
Fidelity Money Builder Income	6.0%	UK FI
ML Stepped Income & Growth	6.0%	SR
Bar Cap Euro Ladder	6.0%	SR
Citigroup Autocall VI	5.0%	Eu
Barcap - S&P 500 125%	5.0%	US
Standard Life Select	5.0%	Property
New Star International Property	5.0%	Property
Cash	10.0%	UK
Yield	2.86%	

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Taxation

Potential to utilise clients capital gains tax allowance (CGT).

Administration and Valuation

Valuations are provided every six months and access to valuations is available online at www.bm-am.com.

Charges

- Up to 4% initial portfolio establishment fee*
 - 1.5% annual management charge*
 - No additional dealing costs
 - No set up or annual SIPP administration fee providing funds under management with Brooks Macdonald exceed £150,000 (please refer to terms and conditions for full details)
 - Underlying charges may apply which will vary according to the specific assets within the portfolio
- *part of which may be paid to your financial advisor





Investors should be aware that the price of units in this fund and the income from them can go down as well as up and that neither is guaranteed. Past performance is not necessarily a guide to the future. Investors may not get back the amount invested. Changes in rates of exchange may have an adverse affect on the value, price or income of an investment. Investors should be aware of the additional risks associated with funds investing in emerging or developing markets.

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Brooks Macdonald Group, its subsidiaries and/or their officers, directors and employees may also own and trade in the underlying assets.

Tax treatment depends on your individual circumstances and may be subject to change in the future.

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